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## BOARD ADOPTED POLICIES

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**POLICY NUMBER:** 2.10.800

**EFFECTIVE DATE:** 9/15/05

**TITLE:** Innovation Portfolio

**SUPERSEDES:** N/A

**BOARD ADOPTION:** 9/15/05

**APPROVED:** *Ingrid A. Dea*

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### CONCEPT

The WSIB is adding an investment vehicle to the Retirement Commingled Trust Fund (CTF) called the Innovation Portfolio. The fund's primary investment strategy is to provide the WSIB with an ability to invest in investment ideas that fall outside the traditional asset classes currently used by the Board, with a secondary purpose to provide the Board with comfort and demonstrated success before committing large dollar amounts to the strategy.

### STRATEGIC OBJECTIVES

The objectives of the portfolio include:

- Proactively seeking incremental return commensurate with risk across a spectrum of opportunities.
- Increasing investment flexibility across market environments.
- Exploiting market inefficiency that will provide an above market return at an appropriate level of risk.
- Enhancing long-term returns while diversifying and/or lowering risk of the total portfolio.

Individual assets/ideas within the portfolio are expected to meet one or more of the above objectives. Assets/ideas that are approved for the portfolio will have a set evaluation period and an end goal. The end goals can include graduation to a dedicated portion of the CTF (new asset class), termination when market conditions change, or continual inclusion in the portfolio

### TARGET ALLOCATION

The target allocation for the Innovation Portfolio in the CTF shall be 0 percent but will be allowed to be as high as 5 percent of the CTF.

## **RISK MANAGEMENT AND PORTFOLIO CONSTRAINTS**

This type of investment opportunity can't be modeled because it can come from a variation of an asset class or a combination of asset classes. The limited size of the portfolio is the primary risk control mechanism. In addition, to provide for diversification, each investment concept will be limited to a maximum of 1.0 percent of the CTF.

## **PERFORMANCE OBJECTIVE**

The overall benchmark for the portfolio is the weighted average of the underlying benchmarks for each asset/idea within the portfolio. Each program within the portfolio will have a defined benchmark before implementation.

## **RESEARCH AND RECOMMENDATION PROCESS**

Staff will research and recommend investments to the internal investment committee, comprised of the executive director, the chief investment officer, and the senior investment officers (SIO). Each recommendation shall include an investment thesis, time frame, evaluation criteria, benchmark(s), resources required, implementation plan, and funding amount. All investment recommendations must have unanimous approval by the Executive Director, Chief Investment Officer, and SIO sponsoring the investment recommendation to move forward.

## **REPORTING**

Monthly, staff via the Executive Directors Report, will list any new investment strategies approved and funded to the Board.

Quarterly, staff will report on the status of all investments in the portfolio.